

Are You Following Your Friends Into Debt?

OK, who do you spend the most time with? Now think for a minute, do these five close friends save and invest for their future; do they read books that will fill gaps in their knowledge; do you brainstorm and challenge each other? Or perhaps they never miss an opportunity for happy hour and entertainment? Maybe, using an app on their smartphone, they are trading stocks while walking down the street, all the while lacking the wisdom to make sure they are doing the right things for their families. If their average net worth balance is \$18,000, odds are your balance is not far from theirs. You see, a closely-knit group of friends often pick up each other's habits. If they are in debt, have you emulated their behavior? If you are going to model the habits of others, make certain they are good habits. With that said, let's talk a bit about debt, specifically credit card debt.

Hopefully, you are not one of the tens of millions of Americans who have become numb to the amount of debt you have accumulated. I have witnessed how debt can derail even the most ambitious plans people may have for a financially successful retirement.

In the early 80's, I got myself into trouble with credit card debt. Reflecting back now, it was not a great deal of money but at the time; it was a great deal to me. I secured a MasterCard and Visa from two local banks. Here I was with four credit cards, each with a \$700 credit limit. The average interest rate on my credit cards at the time was about 17%. I quickly managed to get myself into trouble, paying off a monthly minimum by taking a cash advance from one of the other cards. This strategy worked for a very short time and then blew up in my face. I was buying things I could not afford and going deeper and deeper into debt. But, I wasn't alone; you see, all my friends were in credit card debt also. In fact, we would compare notes on how much we owed and the amounts of our minimum monthly payments.

How many people do you know that are comfortably numb with their credit card debt? Might you be one of *them*? Not sure what I meant by that? Does any of the following seem familiar?

- I've had so much credit card debt for so long that I just accept it as a fact of life and try not to think about it anymore.
- I have tried to reduce my debt year after year and nothing works.
- Everyone I know has a boatload of debt and I'm no different.
- My sister told me to cut up my credit cards, but I could never do that! I use them too much.
- I don't know—two cards just don't seem like enough. My friends each have five or six.

If these statements are familiar to you, you are not alone; in fact, you are in the company of many others. Millions of your peers from California to Indiana to Maine share the same predicaments. In a future post, we will review some ideas as to how you might reduce your credit card debt.

*Opinions expressed are those of Rodger Alan Friedman. All opinions are as of this date and are subject to change without notice.